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Supreme Court, U.S.
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IN THE

Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS INC., *et al.*,

Petitioners,

v.

GROKSTER, LTD., *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF OF AMICI CURIAE OFFICE OF THE COMMISSIONER OF BASEBALL, NATIONAL BASKETBALL ASSOCIATION, NATIONAL FOOTBALL LEAGUE, PROFESSIONAL PHOTOGRAPHERS OF AMERICA, INC., AMERICAN SOCIETY OF MEDIA PHOTOGRAPHERS, INC., ASSOCIATION OF AMERICAN PUBLISHERS, INC., ASSOCIATION OF AMERICAN UNIVERSITY PRESSES, PRODUCERS GUILD OF AMERICA, INC., GRAPHIC ARTISTS GUILD, ENTERTAINMENT SOFTWARE ASSOCIATION, THE AUTHORS GUILD, INC., AND THE INDEPENDENT FILM & TELEVISION ALLIANCE IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

	Page
TABLE OF CITED AUTHORITIES	ii
INTERESTS OF AMICI CURIAE	1
SUMMARY OF ARGUMENT	3
ARGUMENT	7
I. The Decision Below, If Allowed To Stand, Will Burden The Judicial System With Multiple Individual Infringement Actions And Will Deprive Copyright Owners Of A Meaningful Remedy For Millions Of Acts Of Copyright Infringement	7
II. The Decision Below, If Allowed To Stand, Will Have The Counterproductive Effect Of Rewarding Peer-To-Peer Services That Refuse To Take Reasonable Steps To Prevent Or To Reduce Massive Amounts Of Copyright Infringement And Resulting Litigation Against Multiple Individual Infringers	12
III. As The Seventh Circuit Has Concluded, Peer-To-Peer Services Should Be Secondarily Liable For The Massive Copyright Infringement They Facilitate, Absent A Showing That It Would Be Disproportionately Costly For Them To Eliminate Or To Reduce Substantially That Infringement	18
CONCLUSION	28

TABLE OF CITED AUTHORITIES

CASES *Page*

A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001) 12, 13

A&M Records, Inc. v. Napster, Inc., 284 F.3d 1091 (9th Cir. 2002) 12, 13, 14

Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) 11

BMG Music v. Does 1-203, No. 04-650, 2004 WL 442626 (E.D. Pa. Mar. 5, 2004) 9

Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176 (1980) 11, 22

Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340 (1991) 10

Fromberg, Inc. v. Thornhill, 315 F.2d 407 (5th Cir. 1963) 26

Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159 (2d Cir. 1971) 17

Imagexpo, LLC v.-Microsoft Corp., 284 F. Supp. 2d 365 (E.D. Va. 2003) 27

In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003), *cert. denied*, 540 U.S. 1107 (2004) ..... *passim*

Cited Authorities

Page

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In re Charter Comms. Inc., Subpoena Enforcement Matter, __ F.3d __, 2005 WL 15416 (8th Cir. 2005) 9

Interscope Records v. Does 1-25, No. 6:04-CV-197-ORL-22-DAB (M.D. Fla. Apr. 27, 2004) 9

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Page

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Rupp & Wittgenfeld Co. v. Elliott, 131 F. 730 (6th Cir. 1904) 26

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Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984) ..... *passim*

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STATUTES

35 U.S.C. § 271(c) 27

Page

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Cited Authorities

Page

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Fred Von Lohmann, *IAAL (I Am A Lawyer): Peer-to-Peer File Sharing and Copyright Law After Napster* (2001) at "Lessons and Guidelines for P2P Developers" (*available at* http://www.gtamarketing.com/P2Panalyst/VonLohmann-article.html) 13

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Brief of Appellee Grokster, Ltd., *Metro-Goldwyn Mayer Studios, Inc. v. Grokster, Ltd.*, No. 03-55894, 2003 WL 22762385 (9th Cir. filed Sept. 17, 2003) 24

Reply Brief of Petitioners, *Sony Corp. of Am. v. Universal City Studios, Inc.*, No. 81-1687, LEXsee 1981 U.S. BRIEFS 1687 (filed Dec. 3, 1982) ... 23

INTERESTS OF AMICI CURIAE[1]

Amici are twelve separate organizations that represent thousands of members whose livelihoods or businesses depend upon effective copyright protection. Those members include individuals and corporate entities involved in creating and making available to the American public a wide variety of copyrighted works – motion pictures, television programming, sports programming, literary works, interactive video games and photographic art. *Amici's* members are subject to the same Internet piracy that plagues the motion picture and music industry Petitioners and that the Ninth Circuit, in its decision below, effectively permits to continue. *Amici's* primary purpose in submitting this brief is to draw the Court's attention to the practical implications of the decision below and to suggest an alternative approach for resolving the issues raised by Respondents' facilitation of that piracy.

Amici Office of the Commissioner of Baseball, National Basketball Association, and National Football League represent clubs engaged in professional sports. The professional sports clubs and leagues are responsible for the production of, and own the copyrights in, various audio and video products that they seek to market to the public, over the Internet and otherwise. Increasingly, however, these products are distributed illegally, and free of charge, over Internet file-sharing services, thereby

1. Letters from all parties consenting to the filing of this brief are on file with the Clerk of the Court. No person or entity, other than *Amici*, their members and their counsel, made a monetary contribution to the preparation or submission of this brief. No counsel for a party in this matter authored this brief in whole or in part. Counsel for *Amici* represent certain of the Petitioners and the Recording Industry Association of America in matters other than this case, and they represent certain of the *Amici* in matters in addition to this case.

impairing *Amici's* ability to engage in an important segment of their business.

Amicus the Producers Guild of America, Inc. represents motion picture, television and new media producers. The members of *Amicus* the Independent Film & Television Alliance distribute internationally (and often produce and finance) the motion pictures and television programming that are created outside of the seven major United States studios, including such recent films as the *Lord of the Rings* trilogy, *Chicago*, *Cold Mountain*, *Lost in Translation*, *Monster*, *The Passion of the Christ*, *Shakespeare in Love*, *Whale Rider* and *Traffic*. The income that the members of these *Amici* receive is tied directly to sales of DVDs and other video products – the very sales that are displaced by illegal file-sharing.

Amici the Association of American Publishers, Inc., the Association of American University Presses, and The Authors Guild, Inc. represent the creators and distributors of various types of literary works. *Amicus* the Graphic Artists Guild represents, among others, illustrators and cartoonists whose creative efforts appear in such works and other media. Illegal file-sharing has adversely impacted the efforts of these *Amici* to create a legitimate and robust electronic book market.

Amicus Entertainment Software Association represents companies that, among other things, publish and sell interactive entertainment software (including video and computer games). Infringing distribution of entertainment software, through peer-to-peer networks and otherwise, costs legitimate software vendors billions of dollars in lost sales, robbing game developers and the game industry of revenue that could be used to underwrite the creation and marketing of an even wider array of game titles.

Amici the Professional Photographers of America, Inc. and the American Society of Media Photographers, Inc. represent the copyright interests of photographers working in a wide range of media and industries. Illegal file-sharing poses particularly significant risks for publication photographers and other small copyright owners whose livelihoods depend to a substantial degree upon commercial exploitation of their creative works.

SUMMARY OF ARGUMENT

The fundamental issue raised by this case is whether copyright protection will have any practical meaning in a digital environment — where Internet "file-sharing" services (without compensating or obtaining the consent of copyright owners) permit the virtually effortless and anonymous worldwide distribution of perfect copies of copyrighted works.

1. There is no dispute that such unauthorized file-sharing constitutes copyright infringement, which is committed on a daily basis by millions of people "who are ignorant or more commonly disdainful of copyright and in any event discount the likelihood of being sued or prosecuted for copyright infringement." *In re Aimster Copyright Litig.*, 334 F.3d 643, 645 (7th Cir. 2003) (Posner, J.), *cert. denied*, 504 U.S. 1107 (2004) ("*Aimster*"). Nor is there any dispute that "peer-to-peer" file-sharing services, such as those offered by Respondents, are used overwhelmingly for purposes of copyright infringement. These services profit handsomely from, and would have no commercial business but for, that infringement. And they take affirmative steps to ensure that such infringement continues. Nevertheless, in the decision below, the Ninth Circuit Court of Appeals held that peer-to-peer services, by simply switching from a centralized index of files to a decentralized index of files (a process invisible and meaningless to an Internet user), can avoid secondary liability for facilitating hundreds of millions

of acts of online copyright infringement. *See Metro-Goldwyn Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004), *aff'g Metro-Goldwyn Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003) ("*Grokster*").

2. Over twenty years ago, in a very different factual context, the Court formulated principles to determine whether a manufacturer of a product that facilitates copyright infringement is secondarily liable for that infringement. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) ("*Sony-Betamax*"). The Court did so by striking a careful "balance between a copyright holder's legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce." *Id.* at 442. The Ninth Circuit decision below upsets that balance and seriously erodes the value of copyright protection in a digital world.

That decision leaves the copyright community with an untenable Hobson's choice for responding to the literally millions of daily acts of infringement that the peer-to-peer services make possible – either flood the federal courts with numerous "John Doe" lawsuits against individual infringers (as some copyright owners have already been forced to do) or permit that infringement to go unchallenged and allow the value of their works to bleed away. But the very reason that the courts developed the secondary copyright liability doctrine was to avoid imposing such a burden on copyright owners and the federal judicial system and to ensure protection of rights guaranteed by the Constitution and the Copyright Act. Engaging in costly and burdensome litigation against a multitude of individual infringers is simply not a viable option for *Amici*. Consequently, the decision below, if allowed to stand, will deprive numerous copyright owners of an effective means to prevent and to remedy countless acts of copyright infringement.

The decision below also has the perverse effect of discouraging peer-to-peer services from acting responsibly by taking steps that could reduce or even eliminate online copyright infringement, while rewarding those services with copyright immunity when they refuse or fail to take such actions. The decision provides peer-to-peer services with a detailed blueprint for devising a system that evades all liability and equitable relief for facilitating copyright infringement on an unprecedented scale. There are several steps peer-to-peer services can reasonably take (and should take) that would significantly minimize the scope of online copyright infringement and that would *not* interfere with the comparatively *de minimis* amount of lawful file-sharing they may make possible. They can take these steps because (unlike the Betamax manufacturer) they maintain an ongoing relationship with the direct infringers, and they have the inherent ability to separate infringing and noninfringing uses. The Ninth Circuit, however, improperly deemed such steps to be "irrelevant."

3. The Seventh Circuit Court of Appeals has taken a different, and more responsible, approach than the Ninth Circuit to resolving the issues surrounding online copyright infringement. In *Aimster*, the Seventh Circuit affirmed the district court's determination that the peer-to-peer services in that case are secondarily liable for the infringement they facilitate. In doing so, the Seventh Circuit concluded:

> Even when there are noninfringing uses of an Internet file-sharing service, moreover, if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses.

334 F.2d at 653; *see also id.* at 648 (requiring a showing that the "detection and prevention of the infringing uses would be highly burdensome").

The above approach is consistent with the Court's decision in *Sony-Betamax* and the patent law "staple article of commerce" doctrine that the Court adapted to copyright law in *Sony-Betamax*. Most importantly, the Seventh Circuit approach is faithful to the balance that the Court struck in *Sony-Betamax*, and it addresses the matter that *Amici* believe should be of principal concern here. It provides peer-to-peer services with an incentive (rather than a disincentive) to take reasonable steps that eliminate or at least minimize the amount of online copyright infringement – and thereby reduces the need for copyright owners to initiate (and for the courts to deal with) burdensome litigation against numerous individual infringers.

4. As the Court noted in *Sony-Betamax*, "the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another." 464 U.S. at 435. *See also Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 667 (1944) (Frankfurter, J., dissenting) (noting that "the doctrine of contributory infringement is an expression both of law and morals"). In its decision below, the Ninth Circuit has adopted an approach that, as the Register of Copyright has suggested, "fails to see the forest for the trees"[2] and thus loses sight of the principles of justice and moral responsibility underlying *Sony-Betamax* and the doctrine of secondary copyright liability. On the other hand, the Seventh Circuit in *Aimster* has adopted a sound and balanced approach that both makes sense and effectuates these underlying policies. *Amici* strongly urge the Court to reverse the decision below and

2. *The Intentional Inducement of Copyright Infringements Act of 2004: Hearing on S. 2560 Before the Senate Comm. on the Judiciary*, 108th Cong. 13 (2004) (statement of the Hon. Marybeth Peters, Register of Copyrights, U.S. Copyright Office) (hereinafter "Register's Statement") (*available at* http://www.copyright.gov/docs/regstat072204.html) (referring to the district court decision in this case).

to adopt the Seventh Circuit approach in dealing with the secondary copyright liability of peer-to-peer file-sharing services.

Amici do not believe the courts should discourage technological innovations that provide legitimate public benefits, including innovations that facilitate the lawful sharing of information over the Internet. Nothing in the Seventh Circuit approach would have such a discouraging effect. In contrast, by immunizing enterprises like those of Respondents from secondary copyright liability – enterprises that the record amply demonstrates were designed and operated with the knowledge that they would be employed overwhelmingly to facilitate copyright infringement – the Ninth Circuit did nothing to promote technology. Indeed, as discussed below, one of the unfortunate aspects of the Ninth Circuit's decision would be its elimination of incentives for genuine technological creativity.

ARGUMENT

I. THE DECISION BELOW, IF ALLOWED TO STAND, WILL BURDEN THE JUDICIAL SYSTEM WITH MULTIPLE INDIVIDUAL INFRINGEMENT ACTIONS AND WILL DEPRIVE COPYRIGHT OWNERS OF A MEANINGFUL REMEDY FOR MILLIONS OF ACTS OF COPYRIGHT INFRINGEMENT

1. The Ninth Circuit's decision below provides copyright owners with only one, highly unsatisfactory option for seeking redress for the hundreds of millions of acts of copyright infringement that are facilitated by Respondents' services – lawsuits against a multitude of individual infringers. That is the course of action that the recording and motion picture industries have pursued since the district court in this case first absolved Respondents from secondary liability. During the past year,

record companies have filed copyright infringement actions against more than 7,700 individual infringers.[3] Had each individual been sued separately, as some courts have required (*see infra* page 9), the number of cases generated by that litigation alone would equal the total number of all other copyright, trademark and patent lawsuits in the federal court system for the year ending September 30, 2003.[4] The motion picture industry also has sued hundreds of individual infringers.[5] The experience derived from such litigation highlights the serious problems with the decision below – both from the copyright owners' perspective and from the perspective of judicial administration.

Copyright owners have faced significant and costly obstacles in pursuing individual infringers. It is, of course, difficult to identify those infringers because file-sharing services, such as those operated by Respondents, are designed to enable their users to act anonymously or pseudonymously. The difficulties have been exacerbated by judicial decisions that preclude copyright owners from taking advantage of provisions in the Digital Millennium Copyright Act that require Internet service providers to identify specific infringers in response to

3. *See* Tony Smith, *RIAA Sues 754 More P2Pers*, THE REGISTER (Dec. 17, 2004) (*available at* http://www.theregister.co.uk/2004/12/17/riaa_sues_754/).

4. *See* Administrative Office of the U.S. Courts, Table C3 - U.S. District Courts-Civil Cases Commenced, by Nature of Suit and District, During 12-Month Period Ending September 30, 2003, 2003 Judicial Business (*available at* http://www.uscourts.gov/judbus2003/appendices/c3.pdf).

5. *See* Alex Veiga, *Moviemakers to Sue Internet Pirates; Studios Follow Path of Music Industry*, CHI. TRIB., Nov. 5, 2004, at 5 (*available at* 2004 WL 97456770).

requests from copyright owners.[6] Copyright owners have thus been forced to file cumbersome "John Doe" suits and then serve subpoenas (often contested) to obtain the infringers' identities.

The Electronic Frontier Foundation, which represents one of the Respondents in this appeal, has conjured a plethora of arguments designed to make the prosecution of these actions even more problematic for copyright owners. *See, e.g.*, http://www.eff.org/IP/P2P/Fonovisa_v_Plank/plank_answer.pdf (raising twenty-two separate defenses to a John Doe copyright infringement action). For example, these arguments have convinced some courts to rule that copyright owners may not bring one action seeking the identities of multiple "John Doe" customers of a single Internet service provider, but rather must initiate a separate action against each individual infringer.[7] Decisions such as these have imposed considerable and unnecessary costs on both copyright owners and the judicial system – all as a result of the decisions below.

6. *See In re Charter Comms. Inc., Subpoena Enforcement Matter*, __ F.3d __, 2005 WL 15416 (8th Cir. 2005); *Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs., Inc.*, 351 F.3d 1229 (D.C. Cir. 2003), *cert. denied*, 125 S. Ct. 309 (2004); 125 S. Ct. 347 (2004).

7. *See In re Cases Filed by Recording Companies*, Case Nos. A-04-CA-550 LY, A-04-CA-636 SS, A-04-CA-703 LY, A-04-CA-704 LY (W.D. Tex. Nov. 17, 2004) (prohibiting joinder and requiring that four actions be refiled as 254 separate John Doe actions); *BMG Music v. Does 1-203*, Civil Action No. 04-650, 2004 WL 442626 (E.D. Pa. Mar. 5, 2004) (prohibiting joinder and requiring 203 separate John Doe actions); *Interscope Records v. Does 1-25*, No. 6:04-CV-197-ORL-22-DAB (M.D. Fla. Apr. 27, 2004) (prohibiting joinder and requiring separate John Doe actions); *Twentieth Century Fox Film Corp. v. Does 1-12*, No. C 04-04862 (N.D. Cal. Nov. 16, 2004) (permitting discovery against Doe 1 and staying action against Does 2-12 because joinder improper), *aff'd on recon.*, (Dec. 1, 2004). Copies of these orders may be found at http://www.eff.org/IP/P2P/?f=riaa-v-thepeople.html and http://www.eff.org/IP/P2P/ MPAA_v_ThePeople/.

2. The possibility of instituting individual copyright infringement actions against a multitude of individuals engaged in unlawful file-sharing is not a practicable option for *Amici* and their members. And, while major motion picture and record companies have filed lawsuits against thousands of individuals, they are certainly not able to litigate against all of the millions of individuals engaged in online copyright infringement. The costs and burdens of litigation against multiple John Doe infringers – as reflected in the recording and motion picture industries' experience – are overwhelming. Particularly for many small and individual copyright owners, it is not practicable, financially or otherwise, to bring enforcement actions against users of file-sharing technology. Deprived of any practical remedy to protect their copyright interests against the onslaught of file-sharing technology, many copyright owners find their copyrights virtually useless in a digital environment and their ability to exploit and protect their work seriously endangered. As the Court has recognized, the endangerment of the *protection* of copyrighted works is tantamount to the endangerment of the *creation* of those works. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991).

The very purpose of the copyright secondary liability doctrine is to avoid precisely such burdensome litigation that renders impracticable the enforcement of copyright rights. As the Seventh Circuit in *Aimster* observed:

> Recognizing the impracticability or futility of a copyright owner's suing a multitude of individual infringers ("chasing individual consumers is time consuming and is a teaspoon solution to an ocean problem"), . . . the law allows a copyright holder to sue a contributor to the infringement instead, in effect as an aider and abettor.

334 F.3d at 645-46 (citation omitted). *Cf. Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 188-89 (1980) (explaining that the protection afforded by the contributory infringement doctrine in patent law "is of particular importance in situations . . . where enforcement against direct infringers would be difficult"); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 511 (1964) (purpose of patent contributory infringement doctrine is ""to provide for the protection of patent rights where enforcement against direct infringers is impracticable . . ."") (citation omitted).

The ability to make use of the secondary copyright liability doctrine is particularly significant in the digital context where millions of individuals routinely engage in copyright infringement on an anonymous or pseudonymous basis. As the Register of Copyrights has observed, the secondary copyright liability doctrine is

> *critical to the effective functioning of our copyright system, and even more so in the new digital environment.* [That doctrine] allow[s] copyright owners to focus their enforcement (and licensing) efforts on those entities that foster infringing activity and have the resources and wherewithal to either pay licensing fees or satisfy an infringement judgment, without bringing costly, time-consuming and usually futile actions against multiple, mostly judgment-proof individual defendants.

Register's Statement, *supra* note 2, at 2 (emphasis added). The decision of the Ninth Circuit below improperly deprives copyright owners of the ability to rely upon the secondary liability doctrine. In doing so, it effectively deprives copyright owners of any viable means to redress numerous acts of online infringement.

II. THE DECISION BELOW, IF ALLOWED TO STAND, WILL HAVE THE COUNTERPRODUCTIVE EFFECT OF REWARDING PEER-TO-PEER SERVICES THAT REFUSE TO TAKE REASONABLE STEPS TO PREVENT OR TO REDUCE MASSIVE AMOUNTS OF COPYRIGHT INFRINGEMENT AND RESULTING LITIGATION AGAINST MULTIPLE INDIVIDUAL INFRINGERS

The economic model of Respondents' business is simple – the more that individuals engage in copyright infringement using Respondents' services, the more money Respondents make. Respondents profit by selling advertising that reaches computer users while they are committing infringement with the aid of the file-sharing software Respondents provide free of charge. *Grokster,* 259 F. Supp. 2d at 1044; Pet. at 4. That model has been quite successful. Hundreds of millions of files have been, and continue to be, traded using peer-to-peer software. While some individuals may use that software for lawful file-sharing of public domain or authorized works, the vast majority (over 90%) of peer-to-peer file-sharing is indisputably illegal. *Grokster,* 380 F.3d at 1158; Pet. at 9. Under these circumstances, there is certainly no economic incentive for Respondents or other peer-to-peer services to take reasonable actions that minimize the level of copyright infringement. Nor is there any legal incentive to do so under the decision below.

1. A separate Ninth Circuit panel required a peer-to-peer service to take such action in *A&M Records, Inc. v. Napster, Inc.,* 239 F.3d 1004 (9th Cir. 2001) ("*Napster I*"), and *A&M Records, Inc. v. Napster, Inc.,* 284 F.3d 1091, 1098 (9th Cir. 2002) ("*Napster II*") ("Napster must do everything feasible to block files from its system which contain noticed copyrighted works."). The Seventh Circuit did likewise in *Aimster. See infra* pp. 18-19. But the panel below chose a different path.

Following the Ninth Circuit's decisions in *Napster,* Respondents could have taken the monitoring and blocking steps mandated in those decisions to control infringement. Instead, Respondents chose to structure their system so that (as one of the Respondents' counsel had suggested in his widely-circulated "legal primer") they could demonstrate "plausible deniability" of knowledge, and control, of the infringement they facilitate – sufficient to "convince a judge" that monitoring and blocking are not possible.[8] Respondents thereby sought to capitalize on copyright infringement, and thus maximize their revenues, without incurring liability for that infringement. *See Grokster,* 259 F. Supp. 2d at 1046 (acknowledging that Respondents "may have intentionally structured their businesses to avoid secondary liability for copyright infringement, while benefiting financially from the illicit draw of their wares"); Register's Statement, *supra* note 2, at 17-18 (explaining how Respondents' software is programmed to ensure that users "share" as many files as possible without regard to their copyright status).

According to the Ninth Circuit, Respondents found the key to circumventing the *Napster* decisions – avoid the use of central servers with indices of the files residing on their users' computers. Such decentralization does not result in any reduction in the amount of infringement that Respondents induce; nor does it sever the connection between Respondents and users. After all, Respondents need to keep serving advertisements to the users to keep their lucrative income stream flowing. However, in moving to a decentralized system, Respondents sought to diminish their ability to stop the infringement they

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8 *See* Fred Von Lohmann, *IAAL (I Am A Lawyer): Peer-to-Peer File Sharing and Copyright Law After Napster* (2001) at "Lessons and Guidelines for P2P Developers," paras. 1 & 3 (*available at* http://www.gtamarketing.com/P2Panalyst/VonLohmann-article.html).

knew was occurring. Thus, decentralization provided Respondents with the level of "plausible deniability" that was necessary to "convince" at least the Ninth Circuit not to impose secondary liability.

2. Even under Respondents' decentralized architecture, Respondents know very well how to prevent content from reaching their users when they want to block that content. For example, Respondents routinely filter out files containing pornographic material or viruses. They also have blocked or hindered the distribution of "bogus" (incomplete) files that some copyright owners have attempted to make available to frustrate infringement. *See* Pet. at 7-8 & n.4, 11-14.

Petitioners introduced considerable evidence below that Respondents likewise could have blocked files containing copyrighted works that were not authorized for distribution over Respondents' network, *e.g.*, by employing filtering, "digital fingerprinting" or "meta data" screening technology. *Compare Napster II*, 284 F.3d at 1098-99 (affirming order that *Napster* not operate without an appropriate filtering mechanism). The district court, however, ruled that evidence "immaterial" to its analysis, without even considering the feasibility and efficacy of any of the blocking methods. *See Grokster*, 259 F. Supp. 2d at 1045; *see also id.* at 1046 (court "need not decide whether steps could be taken to reduce the susceptibility of [Respondents'] software to unlawful use . . ."). The court of appeals agreed, deeming "irrelevant" the measures that Respondents could have taken to minimize copyright infringement. *Grokster*, 380 F.3d at 1166.

The Ninth Circuit below attached significance to the fact Respondent Grokster lacked a "registration and log-in process" which could have been used to block known infringers' access to the network. *Id.* at 1165. Grokster, however, originally employed such a process and disabled it only after the litigation

below was commenced. Pet. at 7. The Ninth Circuit also attached significance to the fact that Respondent Streamcast chose not to have a licensing agreement with any of its users (*id.*), thus encouraging all peer-to-peer services to put themselves in a position where they supposedly have no legal right to terminate infringing users.

3. The decision below sends a clear message to peer-to-peer services that wish to build their businesses on copyright infringement. Under the Ninth Circuit approach, peer-to-peer services need not be concerned about taking any actions that would minimize the scope of the copyright infringement they make possible. Under that approach, they can escape liability for facilitating hundreds of millions of acts of copyright infringement as long as they take steps designed to distance themselves from the right and ability to control that infringement – notwithstanding that they retain the right and ability to deliver advertisements, to block pornographic content and to filter out anti-infringement methods employed by copyright owners.

The most recent version of the "legal primer" for peer-to-peer services authored by one of Respondents' counsel elaborates on this message, providing the following "advice" on how to come within the immunity afforded by the decision below:[9]

> • "[Y]ou can either include mechanisms that enable monitoring and control of user activities (and *use them to stop allegedly infringing activity when you receive complaints*), or choose a truly decentralized architecture that will convince a judge that such monitoring and

9. Fred Von Lohmann, *IAAL (I Am A Lawyer): What Peer-to-Peer Developers Need to Know about Copyright Law* (Sept. 2004) (*available at* http://www.eff.org /IP/P2P/?f=p2p_copyright_wp_v4.html) ("2004 P2P Primer").

control is impossible without extensive redesign." 2004 P2P Primer at V.2 (emphasis added).

- "[A] P2P developer would be wise to choose an architecture that will convince a judge that control over end-user activities is impossible." *Id.*
- "If you want to avoid monitoring obligations, you'll have to give up on anything that smacks of 'control.'" *Id.* at V.3.
- "The key here is to let go of any control you may have over your users – no remote kill switch, automatic update feature, contractual termination rights, or other similar mechanisms." *Id.*
- "[P]rudence suggests that vendors give anything that smacks of 'control' a wide berth." *Id.*
- "Separate different functions and concentrate your efforts on a discrete area. . . . A disaggregated model . . . may limit what a court can order you to do to stop infringing activity by your users. As the *Napster* court recognized, you can only be ordered to police your own 'premises' – the smaller it is, the less you can be required to do." *Id* at V.6.
- "Although end-user agreements ('EULA') are ubiquitous in the software world . . . they may leave the impression that a vendor has the legal right to stop users from using the software [for infringement]. P2P software vendors should consider distributing their code without a EULA. *Even without a EULA, a software developer retains all of the protections of copyright law to prevent unauthorized duplication and modifications." Id.* at V.8 (emphasis added).

As the above suggests, peer-to-peer services inherently have the "'power to police carefully the conduct'" of their users. *Sony-Betamax,* 464 U.S. at 438 n.18, quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.,* 316 F.2d 304, 308 (2d Cir. 1963); *see also Sony-Betamax,* 464 U.S. at 438 n.18, citing *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.,* 443 F.2d 1159, 1163 (2d Cir. 1971) (attaching significance to the fact that the defendant was *'in a position* to police the infringing conduct") (emphasis added). However, the decision below encourages peer-to-peer services to do what they can to distance themselves from that power – or at least create "plausible deniability" – in order to absolve the services of responsibility for the infringement that they know dominates their services and from which they profit.

Amici submit that the Ninth Circuit approach is unwise and inconsistent with the policies underlying the Court's decision in *Sony-Betamax*. *See infra* pp. 19-20. The proper balance is one that encourages (rather than discourages) peer-to-peer services to minimize copyright infringement while still preserving their right to facilitate whatever lawful file-sharing may exist over their networks. Imposing secondary liability on peer-to-peer services for the infringements they induce would "simply encourage" them to exercise their inherent "power to police," "thus placing responsibility where it can and should be effectively exercised." *Sony-Betamax,* 464 U.S. at 438 n.18, quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.,* 316 F.2d 304, 308 (2d Cir. 1963).

III. AS THE SEVENTH CIRCUIT HAS CONCLUDED, PEER-TO-PEER SERVICES SHOULD BE SECONDARILY LIABLE FOR THE MASSIVE COPYRIGHT INFRINGEMENT THEY FACILITATE, ABSENT A SHOWING THAT IT WOULD BE DISPROPORTIONATELY COSTLY FOR THEM TO ELIMINATE OR TO REDUCE SUBSTANTIALLY THAT INFRINGEMENT

Amici believe that the decision of the Seventh Circuit Court of Appeals in *Aimster* provides an appropriate approach for dealing with the secondary liability of peer-to-peer services. In *Aimster*, the Seventh Circuit affirmed a district court's ruling that certain peer-to-peer services are secondarily liable for the infringements they facilitate, concluding:

> Even when there are noninfringing uses of an Internet file-sharing service, moreover, if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses.

334 F.3d at 653; *see also id.* at 648 (requiring a showing that the "detection and prevention of the infringing uses would be highly burdensome").

The Seventh Circuit approach focuses on the feasibility of actions that peer-to-peer services can take to reduce, if not eliminate, the amount of infringing activity that occurs with the software they provide. And, unlike the approach of the Ninth Circuit below, it provides an incentive for peer-to-peer services to take that action. If these services fail to take the infringement-minimizing actions that they are reasonably capable of taking (if they instead attempt merely to create "plausible deniability"), they will be held secondarily liable for the infringements they cause. The Seventh Circuit approach would thus help achieve the goal of reducing the massive amount of online infringement caused by Respondents and other peer-to-peer services without the need for costly and burdensome litigation against multiple individual infringers. *See generally* William J. Adkinson, *Liability of P2P File-Sharing Systems for Copyright Infringements by their Users,* PROGRESS ON POINT (The Progress & Freedom Foundation Mar. 2004) (discussing advantages of Seventh Circuit approach) (*available at* http://www.pff.org/publications/ip/pop11.7p2psystems.pdf).

1. *Amici* believe that the Seventh Circuit approach should be adopted by the Court because it effectuates the policies underlying the balance that the Court struck in *Sony-Betamax*.

The Court in *Sony-Betamax* was confronted with competing policy considerations. The Court recognized that when a charge of contributory infringement is based on the sale of an article of commerce used to infringe, "the public interest in access to that article of commerce is necessarily implicated." 464 U.S. at 440. The Court also noted a concern about "enlarging the scope" of copyright protection to "encompass control over an article of commerce that is not the subject of copyright protection." *Id.* at 421. Nevertheless, the Court made clear that "adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible." *Id.* at 442.

The Court in *Sony-Betamax* thus sought to

> strike a balance between a copyright holder's legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.

Id. at 442. *See* Stacey L. Dogan, *Is Napster a VCR? The Implications of Sony for Napster and Other Internet Technologies*, 52 HASTINGS L.J. 939, 942, 959 (2001) (The Court's objective in *Sony-Betamax* was not "merely to insulate new technologies. Its objective was to strike a balance between the incentive structure of copyright, on the one hand, and the integrity of 'substantially unrelated areas of commerce,' on the other. . . . As the Supreme Court recognized, the public does not always benefit when technology prevails over copyright.") (citations omitted).

Likewise, the Seventh Circuit in *Aimster* recognizes that, absent imposition of secondary liability on peer-to-peer operators that facilitate massive amounts of infringement, copyright owners would have no practicable means of protecting their copyrights in a digital environment; they would be left with merely "symbolic protection," 464 U.S. at 442, and their incentive to create new works would be impaired. At the same time, the Seventh Circuit simply requires that the peer-to-peer operator take reasonable action to eliminate or to reduce infringement; it does not preclude the operator from offering its service to the public for lawful file-sharing. Where the relief sought by copyright owners does not, as under the Seventh Circuit approach, seek to preclude the use of a product for lawful purposes, the Court's concerns with protecting access to that product are not implicated. *See* S. Dogan, *supra,* 52 HASTINGS L.J. at 956.

Respondents, of course, may be concerned about the commercial viability of their services if they offer file-sharing for only lawful purposes. But if Respondents' services must rely upon massive infringement as their primary use, then Respondents are not "engage[d] in a substantially unrelated area of commerce." 464 U.S. at 442. And the Court's concern in *Sony-Betamax* offers them no sanctuary. As one commentator

has noted, "if a product is so integrally related to infringement that a market for it would never have developed absent infringement, there is no 'substantially unrelated' market with which courts must not interfere." S. Dogan, 52 HASTINGS L.J. at 943; *see also id.* at 958 ("A business enterprise whose raison d'etre is infringement owes it to those who effectively fund its operation to share in [its] proceeds.").

2. *Amici* believe that the Seventh Circuit approach also should be adopted by the Court because it would create the appropriate economic incentives for finding a technological solution to the vexing problem of Internet piracy.

As new generations of digital media are developed – Blu-Ray discs, HD-DVDs, Dual Discs and their eventual successors – content owners and providers such as *Amici* will be able to employ new encryption and digital rights techniques to protect their content from unauthorized distribution. Under the Seventh Circuit approach, peer-to-peer services would be required to respect these new techniques only if it was reasonable for them to do so, thereby creating an incentive for technology developers to make these techniques easier and cheaper to employ. This should lead in time to a substantial decline in piracy, with little cost or burden on peer-to-peer services, funded primarily by the copyright owners who would benefit.

The Ninth Circuit approach, however, by effectively making willful blindness and evasion a legal defense to contributory infringement, would eliminate the need for peer-to-peer services to make any effort to adopt new technology, and would thereby discourage content owners from making the investment necessary to find better solutions for protecting content. Even if better solutions to content protection could be developed, peer-to-peer services would seem to have an indefinite license to ignore them, locking in Internet piracy as a permanent social and economic problem.

3. The Seventh Circuit's focus on the practical ability to reduce or to eliminate copyright infringement is applicable only where the defendant satisfies the *Sony-Betamax* staple article test. For the reasons advanced by Petitioners, *see* Pet. at 20-24, *Amici* do not believe that Respondents meet that test. Respondents nevertheless have claimed that the Court in *Sony-Betamax* foreclosed any inquiry into whether defendants meeting that test can operate in a way that minimizes infringement. According to Respondents, the only relevant inquiry under *Sony-Betamax* is whether they offer a staple article capable of substantial non-infringing uses. For several reasons, Respondents are wrong.

First, Respondents' argument is predicated solely upon Justice Blackmun's *dissenting* opinion in *Sony-Betamax*. Justice Blackmun did suggest that a "jamming" device might have been employed by broadcasters to prevent unauthorized home-recording and that the Betamax could be sold without a "tuner." *See* 464 U.S. at 492 n. 42 & 494 (dissenting opinion). But the majority in *Sony-Betamax* "did not discuss these possibilities." *Aimster*, 334 F.3d at 648. That lack of discussion does not mean, as Respondents suggest, that the Court ruled irrelevant evidence of whether the defendant could take reasonable actions to eliminate or to reduce copyright infringement; it simply means that the majority did not address the issue of alternative designs. *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 194 n.12 (1980) ("failure to discuss" suggests that the Court "simply chose not to address a matter that had not been fully presented") (citation omitted).

It is not surprising that the majority in *Sony-Betamax* chose not to deal with the legal significance of these alternative designs. The district court specifically found, as a matter of fact, that these alternative designs were impractical. *See Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 462 (C.D. Cal. 1979) (noting that a jamming system would "most likely require the cooperation of many others: broadcasters, producers and perhaps the Federal Communications Commission"); *id.* at 435 (finding that tuners could be purchased separately even if they were not originally included with the Betamax). The Court thus resolved *Sony-Betamax* on the basis that it would not be possible to both protect the copyright owners' works and permit non-infringing uses to continue. *See* 464 U.S. at 441 n.21 (noting that the plaintiffs in that case sought to declare all VCRs "contraband").

As one commentator has noted, the determination in *Sony-Betamax* of

> contributory infringement entailed an all-or-nothing outcome; if the manufacturers were held liable, then no machine could be distributed, despite its capacity for non-infringing uses; if no liability, then the machine can be distributed, despite its capacity for infringing uses. Splitting the difference by limiting distribution of the machine to a class of non-infringers was not a possibility.

Jane Ginsburg, *Copyright Use and Excuse on the Internet*, 24 COLUM. V.L.A. J.L. & ARTS 1, 37 (2000) (further noting that with Napster the "differences could be split; the online technology makes possible the confinement of the service to a class of non-infringers"). *See also* Reply Br. of Pets. in *Sony-Betamax*, LEXsee 1981 U.S. BRIEFS 1687, at 7 (filed Dec. 3, 1982) (stating that the "underlying important question of federal law to be resolved implicitly by this decision is whether the American public can be deprived of the technical advance of home VTR reception of free off-the-air TV by two copyright owners who voluntarily commingle their programming with all other TV programming . . . [where] the bulk of TV programming is available for unchallenged Betamax reception").

Second, the Court itself in *Sony-Betamax* suggested that the staple article of commerce doctrine does not provide the exclusive basis for determining secondary copyright liability. The Court made clear that "the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another." 464 U.S. at 435. Given the particular "circumstances" before it, the Court in *Sony-Betamax* chose to borrow from patent law's staple article of commerce doctrine to determine secondary liability. But the circumstances surrounding peer-to-peer services are dramatically different than those that were present in *Sony-Betamax* and upon which the Court based that choice:

- As the Court noted in *Sony-Betamax,* "the average member of the public uses a VTR principally" for lawful time-shifting. 464 U.S. at 421. In contrast, at least 90% of the activity on Respondents' services involved copyright infringement. Pet. at 9.

- The Court in *Sony-Betamax* noted that the "only contact between Sony and the users of the Betamax that is disclosed by this record occurred at the moment of sale;" there was no "ongoing relationship" between the manufacturer and the infringer. 464 U.S. at 437-38. In contrast, Respondents maintain such an ongoing relationship with their users. *See* Brief of Appellee Grokster, Ltd. at 39, *Metro-Goldwyn Mayer Studios, Inc. v. Grokster, Ltd.*, No. 03-55894, 2003 WL 22762385 (9th Cir. filed Sept. 17, 2003) (noting that "of course" Grokster "maintains an[] ongoing relationship with its users ..."). Indeed, Respondents' business

depends on continually serving advertisements to their users.

- The Court in *Sony-Betamax* emphasized that that case did not involve any "issue concerning the transfer of tapes to other persons." 464 U.S. at 425. In contrast, this case involves the unauthorized distribution of perfect copies of copyrighted works to millions of computer users around the world. *See* Register's Statement, *supra* note 2, at 6 ("In my view, if the VCR had been designed in such a way that when the consumer merely turned it on, copies of all the programs he recorded with it were immediately made available to every other VCR in the world, there is no doubt the *Sony* decision would have gone the opposite way.").

- The Court in *Sony-Betamax* emphasized that that case involved only the private copying of programs "broadcast on the public airwaves without charge to the viewer" and not the copying of programs transmitted for a fee on pay or cable television. 464 U.S. at 421. In contrast, this case involves the copying and distribution of copyrighted works that the owners market to the public for a fee.

- In *Sony-Betamax*, it was not possible for Sony to separate infringing from non-infringing uses of the Betamax. That is not the case here. *See supra* pp. 22-23.

Given these fundamental differences in the factual circumstances between *Sony-Betamax* and the present case, it does not follow that the only "just" basis, 464 U.S. at 437-38,

for imposing secondary liability on Respondents is the staple article of commerce doctrine. As the Seventh Circuit has properly concluded, justice (under the circumstances of this case) requires imposing liability on Respondents and other peer-to-peer services when they fail or refuse to take reasonable actions to minimize the extraordinary level of copyright infringement that they induce – regardless of whether Respondents also may facilitate an incidental amount of lawful file-sharing. That approach strikes the same "balance" the Court sought to strike in *Sony-Betamax*.

Third, the Seventh Circuit approach – which permits a finding of contributory liability where there are non-infringing uses if the infringing uses are substantial – is consistent with the patent law staple article of commerce doctrine. Historically, a showing that an article used to infringe a patent was a "staple" with substantial non-infringing uses simply supported an inference as to a lack of "intent" on the part of the defendant. But even where that showing was made, other conduct could support a finding as to the requisite intent:

> The presence or absence of the element of substantial noninfringing use is significant principally in determining whether there is an intention to infringe. The absence of a substantial noninfringing use, of course, warrants the inference of an intention to infringe. . . . *As to situations in which intention is clearly established by other evidence, there is some indication that suitability for noninfringing use is no defense.*

Fromberg, Inc. v. Thornhill, 315 F.2d 407, 414 n.20 (5th Cir. 1963) (emphasis added) (citations omitted). *See also Rupp & Wittgenfeld Co. v. Elliott*, 131 F. 730, 733 (6th Cir. 1904) (where an inference as to intent cannot be drawn because the article

was "adapted to other uses," the "'intention to assist in infringement must be otherwise shown affirmatively . . . "), quoting *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 723 (6th Cir. 1897) (Taft, J.).

Consistent with the Seventh Circuit approach in *Aimster*, courts in contributory patent infringement cases have considered whether the defendants could take reasonable steps to eliminate the infringing aspects of staple products. For example, in *Imagexpo, LLC v. Microsoft Corp.*, 284 F. Supp. 2d 365 (E.D. Va. 2003), the defendant argued that it was entitled to summary judgment because the allegedly infringing products (certain software applications) were included in a suite or package of software that had substantial noninfringing uses within the meaning of 35 U.S.C. § 271(c). The court denied defendant's summary judgment motion, noting that there were factual issues as to "substantial noninfringing use" (such as whether removal of the offending applications from the suite would eliminate infringement). As the court concluded:

> "Additional functions in a device that practices a patented method do[] not diminish direct infringement and, therefore, the fact that the device sold has other functions which are performed simultaneously with the patented method does not otherwise substantiate a noninfringing use for the purposes of § 271(c). This rule flows directly from the logic of patent laws. *To hold to the contrary would allow sellers of products that are clearly intended to infringe a patented method to avert liability simply by adding functions to that device.*"

284 F. Supp. 2d at 368 (emphasis added), quoting *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 995 (N.D. Ill. 1988); *accord, Philips Elecs. N. Am. Corp. v. Contec Corp.*, No. Civ A. 02-123-KAJ, 2004 WL 1622442 at *4-5 (D. Del. July 12, 2004) (ordering defendant to remove the infringing

methods from its remote control that had noninfringing uses). *See also Oak Indus.*, *supra*, 697 F. Supp. at 996 (questioning whether a "simple change in design" would eliminate infringement of the patent and further suggesting that the result in *Sony-Betamax* might have been "different if reasonably uncomplicated technology permitted a Betamax to differentiate between temporary recovery for time-shifting and permanent preservation of copyrighted material").

CONCLUSION

For the foregoing reasons, *Amici* respectfully urge the Court to reverse the judgment below and to adopt the approach of the Seventh Circuit in *Aimster* in determining the secondary copyright liability of peer-to-peer services such as Respondents. Peer-to-peer services should be secondarily liable for the massive online copyright infringement they facilitate, absent a showing that it would be disproportionately costly for them to eliminate or to reduce substantially that infringement.

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